

# STRATEGIC EUROPEAN SMALLER COMPANIES FUND

A SUB-FUND OF E.I. STURDZA FUNDS PLC. REGISTERED IN IRELAND.



**ERIC STURDZA**  
INVESTMENT FUNDS

JANUARY 2019 – MONTHLY COMMENTARY BY PORTFOLIO MANAGER BERTRAND FAURE

## FUND COMMENTARY

The Fund gained +5.31% during January. Much has been said about the relief during January as markets showed signs of being more rational following the dislocation and volatility that characterised the last quarter of 2018. The market has been remarkably resilient, with investors brushing aside bad news and buying on weakness. From a top down perspective, the recent dovish statements by the Fed and the ECB clearly illustrate their willingness to remain flexible. According to the Investment Adviser, this pause in monetary policy tightening should support global markets for the months to come.

The latest reporting season has gone well for the Fund's positions; with more than half of the portfolio's constituents having published results this year, pointing to continued growth in sales and margin expansions and the general absence of a recession in their business for 2019. Also noticeable from a bottom up perspective is the vast majority of companies in the Fund's universe which have reported profit warnings for 2019 since the beginning of the year and which were in fact up on the day of the announcement, showing how oversold the market had become in the last days of 2018.

Spie was the largest monthly performance contributor for the Fund, followed by Mersen and Boozt. Takeaway.com, Elis and Akwel were the three largest detractors. After a very disappointing 2018, Spie had a strong month, gaining +13.6% and being up +21.7% (as at 31/01/2019) since its low point on the 20th December. At a conference in Lyon in early January, the Company confirmed its 2018 guidance, notably with regards to Free Cash Flow generation (translating into a 13% yield), which was one of the main reasons behind investors' skepticism around the Company in 2018.

Mersen released its 2018 revenues during the month. After strong performance during the first 9 months of the year (+10.6% organic), Mersen once again beat expectations in Q4 18 on an even tougher comparison base (+13% organic in Q4 17). Management remains confident in the group's ability to continue delivering positive growth and expanding margins in 2019.

Finally, Boozt surprised very positively on the 24th January when it pre-released its FY 18 results. EBIT was 40% ahead of guidance thanks to an unexpectedly strong December driven by Boozt's locally relevant inventory and strong delivery proposition that led to better-than-expected revenue growth and gross margin in Q4. In the release, the CEO was quoted as saying: "With all key performance indicators looking healthy, we enter 2019 in a better shape than ever."

On the detractors' side, there is very little to be reported with no news and a limited performance impact. The three largest detractors accounted for a combined negative contribution of 38 basis points.

The Fund ended the month with a fairly large exposure to the French market (42%). This is a deliberate decision derived from the valuation dichotomy observed by the Investment Adviser across Europe, especially in the Small & Mid cap space, with Morgan Stanley strategists noting; "France is the most oversold market in Europe at a small and mid-level and average relative valuations have rarely been cheaper in the last 25 years".

## PORTFOLIO MANAGER



**BERTRAND FAURE**

Bertrand Faure has been Managing Director of the Investment Adviser since its inception in 2002.

Prior to joining the Investment Adviser he worked for Och-Ziff Capital Management Group in London

between 1999 and 2001 as a hedge fund manager focusing on merger arbitrage and event-driven investments. Before joining Och-Ziff he worked in the investment banking division of Goldman Sachs International in London between 1997 and 1999 and was involved mostly in French related mergers and acquisitions and corporate finance projects.

Bertrand is a graduate of the Ecole Polytechnique in Paris.

## FUND OBJECTIVE

The Strategic European Smaller Companies Fund's (the "Fund") objective is to outperform small and medium capitalisation firms operating in the European equity markets.

## CONTACT

E.I. Sturdza Strategic Management Limited

Telephone +44 1481 722 322

Email [info@eisturdza.com](mailto:info@eisturdza.com)

Website [eisturdza.com](http://eisturdza.com)

\*For detailed performance information based on complete 12-month periods since inception, please refer to page 2.



The views and statements contained herein are those of Pascal Investment Advisers SA in their capacity as Investment Adviser to the Fund as of 11/02/2019 and are based on internal research and modelling.

Please contact [info@eisturdza.com](mailto:info@eisturdza.com) should you wish to have an update call with the investment team.

## \* PERFORMANCE DATA (as at the end of January 2019)

### CUMULATIVE PERFORMANCE %

	1M	3M	1Y	2Y	3Y	Fund Inception
EUR	5.31	-4.33	-22.76	-5.68	18.53	9.55
STOXX Europe 600 NR EUR	6.33	-0.47	-6.67	5.24	13.99	1.29

### CALENDAR YEAR PERFORMANCE %

	YTD 2019	2018	2017	2016	Annualised Inception
EUR	5.31	-24.86	22.80	13.55	2.47
STOXX Europe 600 NR EUR	6.33	-10.77	10.58	1.73	0.34

Please note, past performance is not indicative of future returns.

---

## WARNING

The contents of this document have neither been reviewed nor endorsed by the Central Bank of Ireland or any other regulatory authority. If you are in any doubt about any of the contents of this document you should obtain independent professional advice.

---

## BLOOMBERG DISCLAIMER

Data presented herein is obtained via Bloomberg PORT where stated. Any such data is subject to change from the date of production of this document. Such changes may impact upon comparative data between the investment and benchmark present. Such information therefore is provided for reference purposes only, is subject to change and should not be relied upon for an investment decision.

---

## STOXX DISCLAIMER

STOXX Limited ("STOXX") is the source of STOXX Europe 600 NR EUR and the data comprised therein. STOXX has not been involved in any way in the creation of any reported information and does not give any warranty and excludes any liability whatsoever (whether in negligence or otherwise) – including without limitation for the accuracy, adequateness, correctness, completeness, timeliness, and fitness for any purpose – with respect to any reported information or in relation to any errors, omissions or interruptions in STOXX Europe 600 NR EUR or its data. Any dissemination or further distribution of any such information pertaining to STOXX is prohibited.

---

## GENERAL DISCLAIMER - APPLICABLE TO UK DOMICILED RECIPIENTS

This communication is issued in Guernsey by E.I. Sturdza Strategic Management Limited which is regulated by the Guernsey Financial Services Commission. Any investments or investment services mentioned in this communication are not intended for retail customers. Consequently, this communication is only made available to professional investors and eligible counterparties and should not be relied upon by any person that does not possess professional experience in relation to investments. If you are in any doubt as to whether you possess suitable experience in relation to investments please consult your financial adviser. Past performance is no guarantee of future results. Under no circumstances should this document be forwarded to anyone in the United Kingdom who is not a professional client or eligible counterparty as defined by the Financial Conduct Authority. For the purpose of distribution in the United Kingdom this material has been issued by E.I. Sturdza Investments Limited, Claridge House, 32 Davies Street, London, W1K 4ND which is an appointed representative of Mirabella Advisers LLP which is authorised and regulated by the Financial Conduct Authority. Further this communication is not an offer or an invitation to purchase financial instruments but intended as information. Further the information contained in this communication does not represent a research report. E.I. Sturdza Strategic Management Limited has not considered the suitability of investment against your individual needs and risk tolerance. Shares in the Fund should only be purchased by persons with professional experience and investors should refer to the Fund Prospectus and/or KIID for detailed information about potential risks involved in investing in financial instruments as well as the latest half-yearly report and unaudited accounts and/or annual report and audited accounts. The information contained herein is estimated, unaudited, may be subject to change and reflects the performance of the relevant fund offered by E.I. Sturdza Strategic Management Limited during the period indicated. Any opinions or estimates expressed herein are at the date of preparation and are subject to change without notice; however no such opinions or estimates constitute legal, investment, tax, or other advice. Individual performance of the Fund may vary and historical data is not an indication of future results. The value of the Fund and the income which may be generated from it can go down as well as up and therefore investors must be able to bear the risk of a substantial impairment or loss of their entire investment. The Swiss Representative and Swiss Paying Agent is Banque Eric Sturdza SA, Rue du Rhône 112, P.O. Box 3024, CH-1211 Geneva 3. Copies of the Prospectus, KIID, articles of association, annual and semi-annual reports may be obtained free of charge at the seat of the Swiss representative. This document is intended for information purposes only and is not intended as an offer or recommendation to buy, sell or otherwise apply for shares in the Fund. E.I. Sturdza Strategic Management Limited, 3rd Floor, Frances House, Sir William Place, St Peter Port, Guernsey GY1 1GX. Part of the Eric Sturdza Banking Group. Company Registration Number: 35985.

---

## DISCLAIMER - SWISS DOMICILED RECIPIENTS

E.I. Sturdza Funds Plc and its sub-funds are Irish funds authorized by the Irish Central Bank. They are approved for distribution in Switzerland by FINMA. The Swiss representative and paying agent is Banque Eric Sturdza SA, rue du Rhône 112, 1204 Geneva / Switzerland. Investors should refer to the fund prospectus and/or KIIDs for detailed information about potential risks associated with investments in financial instruments as well as the latest half yearly report and unaudited accounts and/or annual report and audited accounts. The prospectus, KIIDs, Articles of association, semi-annual and annual reports of E.I. Sturdza Funds Plc can be obtained, free of charge, at the seat of the Swiss representative, Banque Eric Sturdza SA. The information contained herein is estimated, unaudited, may be subject to change and reflect the performance of the relevant funds during the period indicated. Any opinions or estimates expressed herein are at the date of preparation and are subject to change without notice. No such opinions or estimates constitute legal, investment, tax or other advice. Individual performance of the funds may vary and historical data is not an indication of future results. The value of the funds and the income which may be generated from it can go down as well as up and therefore investors must be able to bear the risks of a substantial impairment or loss of their entire investments. Past performance is no guarantee of future results. Performance data do not take into consideration commissions and costs charged at the time of issuance and/or redemption of the shares. This document is intended for information purposes only and is not intended as an offer or recommendation to buy, sell, or otherwise apply for shares in the funds.